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UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA

1ST TECHNOLOGY LLC, Plaintiff, v. IQ-LUDORUM PLC, PLAYTECH CYPRUS LTD., TILTWARE LLC, and KOLYMA CORPORATION, A.V.V., Defendants.	Case No. 2:06-cv-00323-LDG-RJJ DEFENDANT IQ-LUDORUM PLC'S REPLY IN SUPPORT OF ITS MOTION TO DISMISS FOR LACK OF PERSONAL JURISDICTION, OR IN THE ALTERNATIVE, TO DISMISS PURSUANT TO FED. R. CIV. P. 12(b)(6) OR FOR A MORE DEFINITE STATEMENT

Dockets.Justia.com

Defendant, IQ-Ludorum PLC ("IQL"), by and through its counsel DLA Piper US LLP,[1] for its Reply in further Support of its Motion to Dismiss for Lack of Personal Jurisdiction, or in the alternative, to Dismiss Pursuant to Rule 12(b)(6) or for a More Definite Statement, states as follows:

I. OVERVIEW

Plaintiff has not satisfied its burden of establishing the Court's jurisdiction over IQL. Plaintiff attempts to distract by repeating a few conclusory allegations from its Complaint and drawing rhetorical conclusions from a litany of largely irrelevant "public" documents, website sound-bites divorced from their context and other irrelevant data. It remains *uncontroverted* fact that IQL has no contact, minimum or otherwise, with the State of Nevada. IQL was indisputably formed as, and has always served as, a parent company and has never licensed, owned, manufactured or marketed any software conceivably in question in this matter. Even though IQL has unequivocally identified ISI Limited ("ISI") and IQ-Ludorum Software (Canada) Limited as separately managed subsidiaries that do conduct the licensing, manufacturing, and marketing of gaming software, Plaintiff persists in a baseless attempt to hold IQL in this matter. Plaintiff makes no case whatsoever for attributing the contacts of any subsidiary to IQL. Plaintiff just ignores the affidavit of Mr. Norris or attempts to draw fantastic conclusions from "public" documents.

Plaintiff likewise gives IQL's pleadings short shrift. IQL also requests that the Court dismiss Plaintiff's Complaint pursuant to Fed. R. Civ. P. 12(b)(6) or require Plaintiff to amend its Complaint and provide a more definite statement pursuant to Fed. R. Civ. P. 12(e).

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[1] The attorneys representing the Defendant, IQL, with DLA Piper Rudnick Gray Cary US LLP are now practicing under the name DLA Piper US LLP. The firm's address, attorney e-mail addresses, and telephone and facsimile

II. ARGUMENT

A. The Court Does Not Have General Jurisdiction Over IQL Because IQL Has No Physical Presence, No Continuous and Systematic Business Contacts, and Does Not Engage in Business in Nevada.

It is well settled that the plaintiff bears the burden of establishing personal jurisdiction. *Farmers Ins. Exch. v. Portage la Prairie Mut. Ins. Co.*, 907 F.2d 911, 912 (9th Cir. 1990). In this case, because IQL has provided a detailed affidavit contradicting Plaintiff's assertion of jurisdiction, Plaintiff is required to provide the Court with facts supporting personal jurisdiction. *See AMBA Marketing Systems, Inc. v. Jobar Int'l, Inc.*, 551 F.2d 784, 787 (9th Cir. 1977). Plaintiff has not shown that IQL has "minimum contacts" (i.e., continuous and systematic contacts) with Nevada such that the exercise of general jurisdiction in this case would comport with fair play and substantial justice. *See Schwarzenegger v. Fred Martin Motor Co.*, 374 F.3d 797, 801 (9th Cir. 2004).

Plaintiff claims that the "IQL customer websites which offer IQL's infringing software are not passive, but instead create a highly interactive environment where business is conducted with Nevada clients." (Response Brief, p. 11). This conclusory allegation is **not** supported by any affidavit or exhibit. Moreover, it obviously ignores the Norris Affidavit, which plainly states that IQL has not owned or licensed gaming software to any third parties, ever. Plaintiff first distracts by calling alleged licensees "customers," and tries to blur the legalities further by referring to alleged players as "customers." (Response Brief, pp.11-12). However, IQL has no licensees for gaming software, and accordingly it has no bettors for "customers." IQL possesses and independently operated subsidiary, ISI, which has, as identified by Norris, licensed gaming software.

To the extent Plaintiff argues that the supposed business contacts of IQL's subsidiaries (or licensees of IQL's subsidiaries), should be imputed to IQL, plaintiff ignores existing

numbers have not changed.

precedent which renders this argument without merit. The Ninth Circuit has consistently held that that the existence of a parent-subsidiary relationship is insufficient by itself to establish personal jurisdiction. *See Doe v. Unocal*, 248 F.3d 915, 925-26 (9th Cir. 2001); *see also Keetan v. Hustler Magazine, Inc.*, 465 U.S. 770, 781 n. 13, 104 S.Ct. 1473, 79 L.Ed.2d 790 (1984). For a court to exercise personal jurisdiction over a parent based on the activities of its subsidiary, the subsidiary must be acting as the parent corporation's alter ego, so as to disregard the corporate entity. *See id.* As set forth in the Declaration of Tony Norris and unrefuted by Plaintiff, IQL is a distinct entity from ISI and its other subsidiaries. (Norris Decl., ¶¶ 22-32). IQL and its subsidiaries each observe corporate formalities, maintain separate books of account, and separate bank accounts. (*Id.*). Plaintiff has not provided any fact supporting an alter ego theory and has provided no evidence to even suggest that ISI and IQ-Ludorum Software (Canada) Limited are not separate and distinct legal entities from IQL. Therefore, IQL cannot be subject to personal jurisdiction based on the operations of its subsidiaries.

Plaintiff similarly misshapes the analysis concerning whether IQL maintains a "passive" or "active" website as a basis for general jurisdiction. Plaintiff never suggests (because it cannot) that IQL's own website (http://www.iq-l.com) is an "active" site in any material respect. Plaintiff again tries to impute the supposed activities of "IQL customer websites" to IQL. Again, Plaintiff ignores that IQL has no "customers" for gaming software because it does not own and has never licensed software to third parties. Even if the court assumes that ISI has licensed software to third parties that have "active" websites, Plaintiff's argument is still non-meritorious in view of *Doe v. Unocal*, 248 F.3d 915, 925 (9th Cir. 2001) and *Keetan v. Hustler Magazine, Inc.*, 465 U.S. 770, 781 n. 13, 104 S.Ct. 1473, 79 L.Ed.2d 790 (1984).

Plaintiff's reliance on *Bancroft*, *Cybersell* and *Theo Davies* is misplaced as these cases actually support denial of personal jurisdiction over IQL. *See Bancroft & Masters, Inc. v.*

Augusta Nat'l. Inc., 223 F.3d 1082, 1086 (9th Cir. 2000); *Theo Davies & Co. v. Republic of the Marshall Islands*, 174 F.3d 969, 975 (9th Cir. 1998); *Cybersell, Inc. v. Cybersell, Inc.*, 130 F.3d 414, 419 (9th Cir. 1997). In *Bancroft*, the Court denied general jurisdiction holding that the company website could not be used to make purchases and did not constitute an act that was purposely directed at the forum states. 223 F.3d at 1086. Like *Bancroft*, Plaintiff does not even contend that IQL's website can be used to make purchases, and Plaintiff ignores the critical fact that it is a passive site which does direct any commercial activity towards Nevada. Similarly, in *Cybersell*, even though anyone, anywhere could access the company website and learn of the services that the company offered, the Court denied personal jurisdiction.

Plaintiff has failed to demonstrate that this Court should exercise general jurisdiction over IQL. Plaintiff's Complaint against IQL should be dismissed.

B. The Court Does Not Have Specific Jurisdiction Over IQL.

Plaintiff argues at length about the factors necessary for specific jurisdiction, including burden on defendant, forum state interest and judicial economy. However, these factors are only relevant if Plaintiff is able to demonstrate purposeful availment, a burden that Plaintiff has not satisfied. Plaintiff has not shown that IQL purposefully availed itself of the privilege of conducting activities in Nevada or that its claims arise out of or relate to IQL's forum-related activities. *See Lake v. Lake*, 817 F.2d 1416, 1421 (9th Cir. 1987). As discussed above, Plaintiff's insinuations concerning alleged "customer websites" do not demonstrate that IQL conducted or purposefully engaged in any activities related to Nevada.

Instead of linking IQL to Nevada, Plaintiff spends page after page of its Response Brief making unsupported arguments that IQL is engaged in the licensing and sales of gaming software and assertions which belie the facts.[2] For example, Plaintiff's makes an unsupported (and unfounded) claim that IQL "purposefully makes its software products available for download to residents throughout the United States, including residents of Nevada." There is no foundation or basis for this statement and it is refuted by Mr. Norris' Declaration.

Moreover, Plaintiff provides a litany of sound bites plucked from various websites. When put in their respective context, it is clear that these "IQL" references are in fact referencing the business operations of the IQ-Ludorum Group of companies. This is no surprise as IQL has informed Plaintiff and the Court that IQL is the holding company for the IQ-Ludorum Group and ISI and IQ-Ludorum Software (Canada) Limited are in fact engaged in the licensing of gaming software.

Rather, review of materials readily available on the IQL website referenced by Plaintiff reveal that "IQL was incorporated on 8 June 2000 to act as the holding company for the **Group**…".[3] (emphasis added). Therefore, when put in their appropriate context, none of the arguments or exhibits set forth by Plaintiff refute the assertions in the Declaration of Tony Norris, and personal jurisdiction over IQL is inappropriate. Plaintiff has incorrectly taken numerous shorthand references to "IQL" which refer to the group of companies from the website to mean IQ-Ludorum PLC proper. To the extent there is any room for genuine confusion, as opposed to manufacturing a legal argument, the sworn declaration of Mr. Norris could not more clearly state the precise activities and roles of IQL, ISI and IQ-Ludorum Software (Canada) Limited. Plaintiff's citations and characterizations of "public" documents from IQL's website out of context do not amount to a "prima facie" case for jurisdiction, nor has plaintiff made any showing that the Norris declaration is false or should be disregarded.

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[2] Plaintiff's assertion that "the United States government believes that personal jurisdiction exists within the United States over companies such as BETonSPORTS based upon their online gaming services" is unsupported, irrelevant and improper. There is simply no support for this claim.

[3] *See* IQ-Ludorum PLC News Announcement dated October 14, 2005 available online at http://www.iq-l.com, attached as Exhibit A.

Plaintiff has not carried the burden of establishing specific jurisdiction. IQL's motion should be granted.

C. Jurisdictional Discovery is Neither Necessary nor Appropriate.

Discovery is unwarranted because Plaintiff's bare and conclusory allegations have been specifically refuted by IQL's denials and the affidavit of Mr. Norris. *See Terracom v. Valley Nat. Bank*, 49 F.3d 555, 562 (9th Cir. 1995) (*citing Rich v. KIS Cal., Inc.*, 121 F.R.D. 254, 259 (M.D.N.C.1988)). Plaintiff incredibly asks for discovery in order to identify the owner and licensor of the software. Per Norris' Declaration, it is ISI. This information has been provided by IQL and is also readily available in IQL's annual report which can be accessed through IQL's website. *See* Exhibit B**.** Clearly, such discovery is not necessary.

Plaintiff's request for discovery is premised upon "the nature of IQL's operations in Nevada," when Plaintiff has not shown any iota of fact that suggests the Norris Declaration that there is no business in Nevada is inaccurate. Plaintiffs' reference to the "online gaming industry's reaction to federal indictments" is hopelessly overstated, as the only website that has been affected is BetonSports. Plaintiff's "shoot first, ask questions later" approach is inappropriate, and IQL should not be penalized further by expensive and extensive discovery.

Without citing any examples of inoperative websites or its efforts to access any website, Plaintiff contends that it is unable to provide the Court with evidence of IQL's contacts with Nevada because any *current* attempt to access supposed IQL customer websites have supposedly shut down in connection with the well publicized BetonSports indictment. (Response Brief, p. 6). Plaintiff fails to describe any efforts it took to determine if jurisdiction was appropriate prior to filing the suit, which of course took place long before the BetonSports indictment. Plaintiff's supposed inability to provide factual support reveals that Plaintiff's Complaint alleging jurisdiction was filed when Plaintiff, in fact, had no evidence to support a jurisdictional allegation. Moreover, Plaintiff's claim that numerous alleged customer websites are shut down is erroneous. A cursory check of websites listed on Plaintiff's Exhibit "C" shows the next two sites listed after BetonSports.com, Bowmans.com and BetEagle.com, are not shut down. (*See* Printout www.bowmans.com and www.beteagle.com, dated September 5, 2006, attached as Exhibit C.) The claimed lack of current access is both irrelevant as well as erroneous.

Plaintiff's bid for discovery is misguided. Norris' Declaration provides Plaintiff with the identity of the licensor, owner and marketers of the gaming software within the IQL group of companies. Plaintiff has not presented any facts which suggest additional discovery would lead to any salient facts, and it would be a wasteful exercise for depositions to take place where there no uncertainty presented by Mr. Norris' affidavit.

D. Plaintiff's Complaint Should Be Dismissed Or Plaintiff Should Be Required To Amend Or File A More Definite Statement.

Plaintiff's Complaint is so vague that IQ-Ludorum cannot reasonably be expected, let alone required, to frame a responsive pleading. At a bare minimum IQL is entitled to know which of its products or services are alleged to have infringed. *Agilent Technologies, Inc. v. Micromuse, Inc.*, No. 04 Civ. 3090 (RWS), 2004 WL 2346152, at *5-6 (S.D.N.Y. Oct. 19, 2004). Yet Plaintiff fails to provide even this nominal information forcing IQL to guess and speculate. Plaintiff once again makes conclusory allegations claiming that there are dozens of IQL customers who use IQL's casino gaming software – yet none of this information is provided to IQL or this Court or set forth in the Complaint. Presumably, prior to filing its Complaint, Plaintiff conducted a detailed patent analysis of some particular software product. What product? What game? Which casino? What time period? None of these details are in the Complaint.

Further, though Plaintiff contends that it has met the pleading requirements and complied with Form 16, this is simply not the case. Form 16 specifically identifies both the patent-protected product and the allegedly infringing product. Plaintiff's Complaint, however, fails to state what products are protected by its very own patent and what IQL products are allegedly infringing on this patent. As Plaintiff's Complaint does not comport with Form 16 or the legal requirements for specificity in pleading patent infringement, Plaintiff's Complaint should be dismissed or amended with a more definite statement.

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III. CONCLUSION

Plaintiff's Complaint fails to demonstrate that IQ-Ludorum PLC has the required contacts within the state of Nevada sufficient to support a finding of jurisdiction warranting dismissal. In the event that this Court deems jurisdiction appropriate, Plaintiff's claims against IQ-Ludorum PLC fail to meet even the minimum standard of clarity and definition. Accordingly, pursuant to Fed. R. Civ. P. 12(e), Plaintiff should be required to file a more definite statement.

Dated September 5, 2006.

Respectfully submitted,

DLA PIPER US LLP

/s/ William M. Gantz

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CERTIFICATE OF SERVICE

Pursuant to Special Order #109, counsel of record registered for the CM/ECF system have been served with the foregoing **Reply Motion to Dismiss for Lack of Personal Jurisdiction, or in the Alternative, to Dismiss Pursuant to Fed. R. Civ. P. 12(b)(6) or for a More Definite Statement and Memorandum of Points and Authorities in Support Thereof** by electronic means. In addition, pursuant to Fed. R. Civ. P. 5(b), I hereby certify that the service of the same was made this day by depositing a true copy of the same for mailing at Las Vegas, Nevada, addressed to:

Michael J. McCue, Esq.
Lewis & Roca
3993 Howard Hughes Parkway
Suite 600
Las Vegas, Nevada 89109

this 5th day of September, 2006.

/s/ Paul Trimmer
An Employee of DLA Piper US LLP

Exhibit A

IQ-Ludorum logo.

Print page | Close window

The information on this page was delivered via a feed from the LSE's regulatory news service.

IQ-Ludorum plc News Announcement

IQ - Ludorum PLC - AGM & Other Matters

RNS Number:6716S
IQ - Ludorum PLC
14 October 2005

IQ-Ludorum PLC

Notice of annual general meeting, including details of the Company's business plan, licence agreement with and subscription by SymCapital, proposals for the raising of funds by the Company, a proposed reorganisation of the share capital, and executive incentives

Notice of the Annual General Meeting of the Company to be held at the offices of KBC Peel Hunt Limited, 111 Old Broad Street, London EC2N 1PH at 11 am on 8th November 2005, is being sent to shareholders today. Copies of this document and the accompanying circular are available from 28 Ecclestone Square, London SW1V 1NS.

The circular contains a letter to shareholders from the board. The edited text of the letter follows:

1. HISTORY OF IQL

IQ-LUDORUM PLC (www.iq-l.com) is an internet gaming software development company with a growing customer base of online and land-based sports book and casino operators which, in the Directors' estimation, together represented approximately US$5 billion in wagering transactions in 2004. The Company develops, markets and installs software that enables operators to offer on-line and call centre gaming facilities to their customers with a high degree of functionality, flexibility, user friendliness and speed.

The business was originally established in 1998, at which time it was operated through ISI, prior to the incorporation of IQL in 2000. Initially focussing on the development of sports book call centre software, ISI soon recognised the importance of internet technology and began to concentrate on the development of internet solutions for its clients.

In March 2000, ISI acquired the business of Softech, its largest call centre software competitor at that time. This acquisition substantially increased revenues and secured a major share of the important Caribbean and Central American call centre market.

In April 2000, ISI acquired the entire issued share capital of IQ-Ludorum Software (Canada) Limited (formerly Advanced Micro Design), a business based in Toronto which develops software and organises computer training courses. This company has provided IQL with a pool of experienced Microsoft-certified software developers and project managers.

IQ-Ludorum plc was incorporated on 8 June 2000 to act as the holding company for the Group for the purpose of listing its shares on AIM. IQL acquired the whole of the issued share capital of ISI from its shareholders on 2 July 2000 by way of a share for share exchange whereby IQL issued new Ordinary Shares in consideration for the transfer to it of the entire issued share capital of ISI.

The funds raised on the AIM flotation were used principally for the development of the Company's 'flagship' product, its call centre software 'IQ-Sportstech'. This product is currently used by Bet On Sports and a number of other operators who are dominant in the industry.

The Directors believe that increased competition within the gaming industry and the Company's original pricing policies mean that forecasted revenues were significantly slower to realise than projected. As a result, the Company's level of expenditure was unsustainable and this led to the need for significant restructuring.

Gurcharan Singh, the founder of the Company, ceased to be a director of the Company in 2005 when he was replaced as Chief Executive Officer by John Reynolds, who, through REVOLUTIONS, a company registered in the Turks and Caicos Islands of which Mr Reynolds is the majority shareholder, has made a number of loans totalling US$513,000 to the Company to provide working capital for the business, further details of which are set out in section 6. Mr Reynolds, who was born in Ireland and emigrated to the United States in 1981, has a successful track record of turning around under-performing companies in the United States and in Latin America, including companies in the construction, oil and gas and telecommunications sectors.

The new Board appointed in February 2005 believes that IQL requires new capital to fund the expansion of its software services, and the introduction of electronic payment processing as described in section 4. The Company proposes to raise the required funds through a combination of loans from SymCapital and new equity investments. Details of the Company's loans from SymCapital and information relating to the proposed issue of new shares are set out in sections 6 and 8 respectively.

2. IQL's BUSINESS AND THE ONLINE GAMING INDUSTRY

IQL's revenues arise principally from (i) licensing its internet gaming software; and (ii) fees from technical support and service agreements with software clients. IQL does not operate any gaming businesses itself.
Since its inception in the early 1990s, the online gaming market has undergone a rapid worldwide expansion. In 2004, 'net win' revenues were estimated by the independent research provider Global Betting and Gaming Consultants ('GBGC') to have been in excess of US$9 billion (with estimated wagers of over US$250 billion), which GBGC estimates still represents only 3.9 per cent of the total global (including land-based) gaming market which in 2004 was US$238 billion (net revenues). Since the mid-1990s, GBGC estimates that revenues in online gaming have grown at approximately 35 per cent per year.

IQL distinguishes itself by its focus on call centre management, productivity software and sports and race book services, whereas many of its competitors focus on online casino games (blackjack, roulette, backgammon, slots). In contrast with the online casino market, the Directors believe that there are significant barriers to entry in the enterprise-scale sports book software market due to the relative complexity and dynamic nature of the international sports wagering markets. Despite relatively recent visibility of online poker, for example, sports wagering continues to dominate the online gaming market in terms of market share and wagering volume, representing more aggregate 'action' than casino, backgammon and poker combined.

IQL has not, however, so far benefited significantly from the increase of the volume and monetary value of online gaming transactions. This is due largely to the fact that its original pricing model was been based on a fixed fee, invoiced to clients. This contrasts with many of IQL's competitors (for example Cryptologic, Chartwell and Worldgaming) who offer similar services on volume-based pricing. Volume-based fees typically generate fee income to the licensor of up to 30 per cent of net win. The Directors therefore propose changing IQL's basic pricing structure to a volume-based model in order to increase licensing revenues and intend to offer the new structure as part of a package to all customers in future. The Directors acknowledge that there may be some customer resistance to this change that there is a risk that some customers may switch to an alternative software provider as a result. They believe, however, that the Company will obtain a competitive edge through the payment solution described in section 4 and that this will help to overcome such resistance. It is proposed that the Company will approach each customer individually to negotiate new payment terms.

In 2005, IQL has established new sources of licensing revenues by deploying its software in the land-based gambling market; a market that represents approximately 96% of the global gambling market according to GBGC. These new sources of revenue include:

1. networked kiosks (internet-connected) and virtual gaming terminals;
2. betting shops (sports/race book); and
3. mobile gaming.

IQL has developed a range of products which the Directors believe to be superior in breadth, integration, quality and performance to many products offered by competitors. Its products include IQ-Sportstech (call centre software), IQ-Netsports (Internet front-end to IQ-Sportstech) and IQ-Casino (casino software). This range of products offers clients the convenience of cross-application compatibility, shared back-office accounting and transaction control and the benefit of one-stop client support. This enables them to focus on marketing their products and building their businesses with the knowledge and assurance that the necessary infrastructure and systems are in place.

3. SYMCAPITAL

SymCapital is an Antigua-registered software company which was established for the commercial exploitation of online banking software. Its proprietary software provides an online payments service which utilises and extends the existing international banking structure to provide a secure means for individuals to transfer funds worldwide. Revenues are generated on a fee-for-service basis in respect of member-to-merchant, merchant-to-member, merchant-to-merchant and member-to-member transactions. The software is 'white-labelled' when sub-licensed in order that sub-licensees can then develop a particular brand for the target market. IQL, who will be granted a licence to the software as set out in paragraph 4 below, intends to offer payment processing services under the new FirstPay brand located at www.first-pay.com.

When a customer of a FirstPay-registered merchant proceeds to make a payment on that merchant's website, he will be given the option to select FirstPay as his preferred payment option. That customer will then automatically be directed to FirstPay's website, where the customer is invited to create a new debit card account issued by a bank via FirstPay. Funds can then be moved seamlessly from the customer's existing bank account or credit card onto the newly established online debit card account from where the funds may be utilised for any e-commerce transaction; i.e. payment for any goods or services for which online payment from a virtual FirstPay account may be made. The debit card account is also connected to an online 'wallet' which serves as a pre-paid stored-value account that may be accessed over the internet and used to purchase goods and services in e-commerce transactions. The 'wallet' has similar functionality to that of PayPal (www.paypal.com), an online wallet service launched in 2000 and now in widespread commercial use. The 'wallet' option does not use the VISA and MasterCard financial networks to settle payments and so has a different fee structure from the debit cards issued to customers.

FirstPay provides 24 hour, 7 day support services to members and merchants and

currently enables customers worldwide to open a FirstPay account. Members have access to their accounts via the internet, and may make deposits, transfers and withdrawals at any time.

4. PAYMENT PROCESSING

IQL has previously publicly disclosed its intention to enter the payment processing segment of the online gaming business as a natural adjunct to the Company's existing online gaming software business. Payment processing software derives revenues for the provider through the deduction of a volume-linked fee (typically up to 11 per cent.) of the monetary value of the transaction and the Directors consider that this represents a valuable new source of revenues for the Company. In addition, these revenues benefit the Company by accelerating cash-flow and reducing receivables significantly.

The Directors believe that IQL's ability to offer a payment processing facility will also benefit the business of its clients who manage online gaming operations. In the US in particular, restrictions on the settlement of transactions connected with gaming mean that online gamblers experience difficulties when making deposits from credit cards into casino accounts due to the high rejection rate from banks. Some suppliers (for example, Neteller and FireOne) address this problem by using bank accounts and electronic cheques to fund online gaming transactions. The inability of many customers to use credit cards to fund their gaming activities is, however, in the Directors' opinion restricting the potential for development of the gaming market.

SymCapital has agreed to license its payment processing software to IQL in perpetuity in consideration for a 'click fee' payable to SymCapital per transaction. The click fee will be less than 5 per cent of the total fees collected from the merchant by IQL and the net balance will be paid in cash. The principal terms of the payment processing licence ('PPL') have been agreed and it is proposed that the PPL is signed prior to the AGM.

By entering into the PPL, IQL will be able to provide a solution to the problems for credit card users outlined above by offering customers the ability to transfer funds electronically, including transfers from US credit cards, to new debit card accounts.

As an integral part of the electronic processing business facilitated by the PPL, IQL will originate new bank-issued debit cards to customers referred to IQL on the internet by IQL internet gaming clients. The PPL software will enable new card-holders to transfer money in real time using the internet. IQL anticipates that additional fee income will be generated from card-holders from banking-related services (for example, ATM withdrawals and point-of-sale payments). The terms of the PPL will also require IQL to pay SymCapital a fixed fee of US$100 per new activated VISA account and 'e-wallet' provided that such account is a 'Qualified Account', i.e. it has been activated by the issuing bank and the customer has loaded pre-paid stored value on it. This fee will be payable on a deferred basis after US$4,000 in cumulative trading per account.

5. REGULATORY ENVIRONMENT

Although the Company does not operate a gaming business, its clients do operate in the gaming industry. Legislative developments in this area are therefore highly relevant to the Company and there follows an overview of the legislative framework relating to gaming in the jurisdictions from which IQL generates most of its revenues. The following summary is not intended as an exhaustive explanation of the gaming laws in each of the jurisdictions covered and the Directors have not taken specialist advice as to the expected impact on the Company of any proposed changes in legislation.

United Kingdom

On 7 April 2005, the Gambling Act 2005 (the 'UK Act') was passed into law. The UK Act introduces a fundamental reform of UK gaming legislation, including online gaming.

All previous legislation specifically relating to gaming, including online gaming, will be repealed when the UK Act is brought into force over the next two years. Most entities involved in the provision of gaming activities in the UK will need to be regulated by a single new regulator, the Gambling Commission. The Gambling Commission will have comprehensive powers which are set out in the UK Act.

The UK Government has announced that the UK Act will come into force in stages over a two year period. When the relevant sections are implemented, it will be possible to establish online betting and gaming (defined as 'remote gambling') in the UK, subject to licensing and regulation by the Gambling Commission. It will also be possible for licensed operators to offer online gaming services to customers in other jurisdictions, subject to the power of the Secretary of State for Culture, Media and Sport to veto certain jurisdictions.

The legislation does not yet specify exactly what services and facilities will need to be licensed in the UK. There is, however, specific provision in the UK Act relating to the use of 'remote gambling equipment' which is defined to include facilities for the storage of information relating to participation in gambling. The operator of such equipment will therefore need either to obtain a UK licence or to relocate all the remote gambling equipment outside the UK. Providers of online gaming facilities without any remote gambling equipment situated in the UK will not be subject to licensing or regulation by the Gambling Commission.

At this stage, it is not clear the extent to which the Company may be affected either by the legislation or the new regulatory framework. The UK Act will also delegate broad discretionary powers to the Secretary of State for Culture, Media and Sport, including the power to determine what constitutes remote communications equipment facilities.

United States

No current US laws specifically address online gaming. The most relevant legislation includes the U.S. Federal Interstate Wire Act, which prohibits the use of telephone lines to place bets. A federal appellate court has interpreted this law as applicable to online sports betting, not to gaming. Whilst this decision is only binding in the states of Texas, Louisiana and Mississippi, the view of the US Department of Justice is that providing online gaming (both sports and non-sports) to US residents is illegal. Other federal statutes, including the Travel Act, may also apply to online gaming as well. The US Patriot Act, enacted in 2001 principally to combat terrorism, prohibits the transmission of funds that are known to have been derived from certain criminal offences or are intended to be used to promote or support certain types of unlawful activity.

To date there has been no successful civil or criminal proceeding against an entirely offshore online gaming operator, with no ownership or management by US nationals. Moreover, there has been no successful legal action against any entity, whether US or not, that funds or provides services to online gaming entities or their customers. The US Congress has in recent years considered legislation that, if passed, would have a significant impact on online gaming. Arizona Senator John Kyl is proposing the Unlawful Internet Gambling Enforcement Act 2005 which would, if passed, prohibit the use of banking services for online gaming. The Directors believe, however, that, as in previous years, the bill's proposers will find it difficult to gain the support required to ensure its enactment. No assurance can, however, be given that legislation will not be passed in the future which will prohibit the provision of online gaming or the processing of payments for online gaming sites.

Several US states, (most notably, North Dakota and New Jersey) and US territories have considered enacting laws that would expressly permit Internet gaming. The US Virgin Islands already has enacted a law of this type. The legality of such state or territorial efforts in the face of federal law is untested.

In 2004, as a result of an application by the Government of Antigua and Barbuda, the US was found by the World Trade Organisation (WTO) to be in violation of the General Agreement on Trade in Services (GATS) by treating certain operators of online gaming services licensed in Antigua and Barbuda less favourably than provided in the US GATS Schedule. The US government appealed the decision and in 2005 the WTO Appellate Body held that certain US legislation, including the Wire Act and the Travel Act, were inconsistent with the commitment of the US in its GATS Schedule to the cross-border supply of gambling and betting services. The US has been required by the WTO Dispute Settlement Body to bring its laws into line with its GATS obligations in relation to horse racing, where the US was found to be applying its laws in a manner which constituted unjustifiable discrimination against the applicant country.

Canada

The Canadian Criminal Code prohibits all gaming activities except for 'permitted lotteries'. 'Permitted lotteries' include provincial lottery activities, lottery activities by charities licensed by provincial governments and private bets between individuals.

Although the Criminal Code does not expressly prohibit online gaming activities, it does strictly prohibit all computer-based gaming operations that are not directly run by a provincial government, which the Canadian courts have interpreted to include online gaming operations. Under the Criminal Code, it is also illegal to aid or assist in any prohibited gaming activities.

In determining whether a company's online gaming operations are subject to Canadian jurisdiction, Canadian courts have to consider whether there is a 'real and substantial connection' between the operations and Canada. To date, the Directors are aware of only one case where the Canadian authorities have prosecuted an online gaming provider, this being a Delaware-incorporated company with operations in Vancouver.

European Union

No European Union member state has legislation specifically prohibiting online gaming other than Austria, which has legislation which regulates online bingo. However, online gaming services may breach the existing gaming laws of member states. Steps have been taken by regulators to limit the provision of online services to domestic operators. This approach has been challenged on the basis that it is contrary to the principles of Article 49 of the Treaty of Rome, which embraces freedom of establishment and supply within the European Union. The

Italian Piergorgio Gambelli case is the most significant case to have been heard recently on this subject in the European Court of Justice. The European Court of Justice effectively ruled that Italy was endorsing restrictive practices not in accordance with the underlying principles of the European free market. Restrictions might be justified on the basis of overriding public interest to protect consumers, based on moral or religious considerations. Fiscal considerations could not, however, justify such restrictions.

The extent to which the courts of member states will follow the Gambelli decision is still subject to doubt and it is possible that the regulators in member states will continue to seek to restrict online gaming. The draft Services Directive proposed by the European Commission will assess the possibility of presenting proposals for the harmonisation of legislation throughout the European Union with respect to the provision of gaming services. Sportingbet UK plc, William Hill, Ladbrokes and other UK bookmakers have recently lobbied for further legislation both in the UK and other European Union jurisdictions to clarify the current position regarding online betting and gaming.

6. REPAYMENT OF LOANS

The Company's aggregate current borrowings are US$800,000, US$513,000 of which is owed to REVOLUTIONS under a loan note first drawn down in May 2004 and US$300,000 of which is owed to SymCapital Ltd under a 6 per cent. loan note dated 21st September 2005 (the 'SymCap Note'). Both loans are secured over the Company's assets. REVOLUTIONS has agreed to assign the benefit of its loan note to SymCapital.

Under the terms of the SymCap Note, the Company may borrow a further US$200,000 from SymCap on the terms of the SymCap Note, which requires repayment of principal after two years.

7. Business Plan

IQL is in negotiations regarding the provision of electronic payment services to several potential customers who do not already use IQL's internet gaming software. It is proposed that in future IQL will offer both 'bundled' (gaming software and payment processing) and 'unbundled' software solutions to clients. IQL also intends to offer the payment processing solutions on a 'white label' basis to third parties.
The Company requires additional working capital in order to:

* develop further its software and systems;
* fund the cash element of the consideration for the acquisition of two target competitive software vendors;
* fund the acquisition of an established US based direct debit payment provider / automatic payment provider and related proprietary software;
* fund the purchase of a copy of the source code to the electronic payment processing platform;
* acquire networked kiosks and other virtual gaming terminals for installation in licensee locations in South America and the Caribbean;

* install and activate a datacenter in Antigua for the processing of payment transactions;
* establish a 'hosted solutions' division;
* purchase long-term revenue share agreements with branded internet gaming sites.

The Directors seek to raise up to US$20 million over the next twelve months through the issue of new shares. They believe that the new opportunities available to the Company as a result of the PPL will be attractive to potential new investors. Subject to the passing of certain resolutions at the AGM, SymCapital has agreed that within 3 days from the date of the AGM it will subscribe Â£7.05 million for 470 million New Ordinary Shares at 1.5p per share which will result in SymCapital owning approximately 85 per cent. of the Company's issued share capital.

The Directors understand that SymCapital has no intention of seeking a de-listing of the Company's shares, believing that IQL's public status is important for its development. As explained in section 8, the Company intends to attract new investors which will in due course reduce the level of SymCapital's shareholding. In the meantime, the Directors have obtained an undertaking from SymCapital that it will not use its votes in favour of any proposal to de-list the Company's shares unless shareholders representing 75 per cent. in nominal value of the shares not held by SymCapital vote in favour of such resolution.

8. Reorganisation of share capital

The nominal value of the Company's shares is 5p. Its shares are, however, currently trading at around 1p which means that it is difficult to attract new investors to subscribe for new shares. In order to allow the Company to issue its shares at a price that is currently more attractive to new investors, the Directors propose a reorganisation of the Company's share capital the effect of which will be to enable IQL to issue new shares at 1p.

Ordinary resolutions are proposed to increase the Company's authorised share capital from 200,000,000 ordinary shares to 1,000,000,000 ordinary shares and thus enable the Company to issue new shares to investors. And to grant the Directors authority to allot relevant securities under section 80 of the Act up to an aggregate nominal amount of Â£7,200,000.

A special resolution will be proposed which renews the Directors' authority, granted by the shareholders of last year's AGM, to allot equity securities for cash without first being required to offer such shares to existing ordinary shareholders in proportion to their existing holdings. The authority sought under this resolution is set at a higher level than in previous years in order to enable the Directors to allot new shares to new investors up to a maximum in nominal value of Â£7,200,000 without first being required to offer those shares to existing shareholders.

A special resolution to create a new class of Deferred Shares of 1p each. The Deferred Shares will have no practical economic value as they will not be listed, will be non-voting and will carry no right to a dividend. Certificates will not be issued for the Deferred Shares. Their creation is in order to allow the Company to subdivide each existing ordinary share of 5p into one New Ordinary Share of 1p and four Deferred Shares of 1p. The rights attaching to each class of shares are set out in the articles of association of the Company to be amended pursuant to a further resolution, a special resolution. Replacement share certificates will not be sent out in relation to the New Ordinary Shares.

Application will be made for the New Ordinary Shares to be admitted to the

Alternative Investment Market. Subject to the sub-division of the existing shares being approved, it is expected that dealings in the New Ordinary Shares will commence on 10th November 2005.

9. ANTI-DILUTION ARRANGEMENTS

The Directors have been informed that Gurcharan Singh, a substantial shareholder of the Company, has granted a power of attorney dated 11th August 2005 to SymCapital in respect of the 33,567, 961 shares held or controlled by him, representing approximately 43 per cent. of the Company's issued share capital. Under the terms of the power of attorney, SymCapital has undertaken not to exercise its vote in respect of such shares in favour of any proposed resolution the effect of passing which would be to reduce the percentage shareholdings of the Company's existing shareholders to 10 per cent or less of their current percentage shareholdings.

10. INCENTIVE PLANS

John Reynolds has agreed to remain CEO of the Company and the Company has agreed a new five year service contract with him which includes:

(i) an annual salary of US$185,000; and
(ii) an annual profit sharing bonus of 10 per cent of net profits of IQL.

In recognition of the fact that Mr Reynolds agreed to forgo his contractual entitlement to a salary of US$185,000 for the first twelve months of his appointment as Chief Executive Officer, the Board intends to grant to Mr Reynolds options in respect of 1 million new shares in accordance with the terms of the Company's unapproved share option scheme. The option price at which the options will be exercisable will, subject to the passing of certain resolutions, be 1p per share. It is proposed that the grant of options will be made to Mr Reynolds shortly after the AGM.

11. CHANGES TO THE BOARD

No changes are proposed to be made to the constitution of the Board.

Enquiries:

John Reynolds, CEO 001 713 861 7171
Adam Hart, KBC Peel Hunt 020 7418 8900

This information is provided by RNS
The company news service from the London Stock Exchange

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Data provided by Hemscott Group Limited. Disclaimer

Exhibit B

IQ-LUDORUM PLC

Annual report and financial statements for the year ended 31 December 2004

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Directors	J Reynolds	(Chief Executive & Chief Operating Officer)
	J McFadden	(Executive Director)
	P Tomassi	(Non-Executive Director)
	P Rhee	(Non-Executive Director)
	S Drennen	(Non-Executive Director)

Secretary and registered office	Cargil Management Services Limited, 22 Melton Street London, NW1 2BW
Company number	4010643
Auditors	BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL
Nominated Adviser and Broker	KBC Peel Hunt Ltd, 62 Threadneedle Street, London, EC2R 8HP
Registrars	Capita Registrars Limited, Northern House, Woodstone Park, Fenay Bridge, Huddersfield, HD8 0LA
Solicitors	Starr and Partners LLP, 8-9 Queen Street, London, EC4N 1SP

IQ-LUDORUM PLC

Chief Executive's Statement

I am pleased to present the Annual Report of IQ-LUDORUM PLC (IQ-L) for the year ended 31 December 2004. The year has been another challenging one for IQ-L with changes made to both the management and the operational structure of the Company. The goal has been to strengthen the foundations of the Company and in particular focus has been put on product management to ensure the continued development of quality software tailored for our end users ever changing requirements.

Given the consolidation amongst the Companies' customer base and ever increasing competition in its traditional markets in the Caribbean the Company has been actively looking to expand into new markets. Considerable research and effort has been put to this effect and the Company is now in a position to benefit from this and target the rest of Latin America.

For the year ended December 31, 2004, IQ-L's turnover amounted to $3,071,000 versus $4,086,000 for 2003. Expenses of $3,753,000 ($4,776,000 in 2003) resulted in a loss before depreciation, amortization, interest and taxes of $682,000 ($690,000 in 2003). Non cash charges amounted to $234,000 ($620,000 in 2003) resulting in a loss on ordinary activities before and after taxation of $932,000 ($1,783,000 in 2003). This resulted in a loss per share of 1.17 cents (2.23 cents in 2003).

The first five months of 2005 have seen additional changes in management as well as a recent loan from SymCapital Ltd and the opportunity to license some company-building software from SymCapital. SymCapital is a transaction processing company specialising in prepaid and e-commerce transactions for credit and debit cards. Today IQ-L's customers rely on IQ-L software to run the most critical aspects of their online business representing billions of dollars of annual transactions, but they then have to look to third party providers to manage their critical e-commerce and payment processing requirements. With the SymCapital license, IQ-L will bring this capability in-house so our clients can focus more on growing their businesses and less on how to get paid for the growth. Please see note 25 for further details on this transaction.

At present, whilst the level of income for the current year is uncertain, the new Board views the prospects for the future with guarded confidence. The addition of a payments solution along with other new products has strengthened the range of services the Company has to offer to both its existing and new customers. In particular the Kiosk initiative that has been developed over the last few years is ready for launch and is anticipated to roll out in the latter half of 2005.

Capital expenditures during the year amounted to $52,000 ($17,000 in 2003). It is expected that this level of expenditure will be continued, as the Company only needs to maintain its fixed assets base at its existing level. IQ-L ended the year with net funds of $42,000 ($232,000 in 2003).

The charge for operating exceptional items before operating profit totals $69,000 (2003 – $84,000). There were no other non-operating costs in the year other than loan interest. (In 2003 the sale of fixed assets was treated as a non-operating exceptional item - $464,000).

In 2004, IQ-L enjoyed another very successful NFL football season for its Sportsbook software, which makes three strong seasons in a row. Service calls remained minimal and again the majority of professional service time was focused on value added projects helping customers maximize the use of their own internal networks and equipment.

Finally, I would like to thank all the employees of the company for their effort and dedication during the year.

John Reynolds
Chief Executive Officer

IQ-LUDORUM PLC

Report of the Directors for the year ended 31 December 2004

The Directors present their report together with the audited financial statements for the year ended 31 December 2004.

Results and dividends

The results of the Group for the year are set out on page 12 and show a loss for the year of $932,000 (2003 - $1,783,000).

The Directors do not recommend the payment of a dividend.

Principal activities, review of business and future developments

IQ-LUDORUM is a developer and provider of Internet gaming software. It has developed a suite of applications, which it licenses to sportsbook and casino operators. The Group also provides full-time support for its applications.

The Chief Executive's statement that accompanies this report gives a more detailed description of the Group's activities during the year and likely future developments.

Directors
The following were Directors of the Company at 31 December 2004.

Biographical details

G Singh

Gurcharan Singh an executive director began his career in information technology as a computer programmer and systems analyst in the 1980's and in the early 1990's researched, equipped and staffed a software development office in India. Gurcharan Singh also owns a SAP partner-consulting firm based in the Caribbean and is the founding member and a governor of the Norbellis Foundation, a non-profit making organization focused upon furthering literacy and education in third world countries.

J Reynolds

John J. Reynolds an executive director was born in County Sligo, Ireland and emigrated to the United States in August of 1981. He has been extremely successful in owning and building numerous companies. These companies include; design construction companies, products and materials companies, telecommunications companies, oil and gas maintenance companies, compliance management companies, environmental engineering companies, development of retail centers and gas stations, banking, and testing laboratories.

Roger Stone, B. Tech.

Roger Stone an executive director has spent over 30 years in various senior general management, sales and marketing roles around the world. Most recently, he was Vice-President of a major telecommunications company responsible for the establishment and management of their operations in Asia. Prior to that, he worked in senior general management and marketing roles in ReserVision Software Technologies and a number of other operating divisions of Unisys Corporation.

IQ-LUDORUM PLC

Report of the Directors for the Year ended 31 December 2004 (Continued)

Pietro Tomassi

Pietro Tomassi a non- executive director was Managing Director of SAP Andina and Caribbean seeing this new operating region grow significantly and rapidly, quadrupling revenues and capturing the largest market share in a few years. He has over twenty five years of management experience with leading multinational corporations and high technology companies including Informix and SAP.

N K S Wills, M.A., F.C.A

Nicholas Wills a non- executive director is a member of the Institute of Chartered Accountants of England and Wales. He joined the British Electric Traction Company in 1970, and became chief executive and then chairman. He is currently chairman of the supervisory Board for the National Mutual Life Assurance Society and a director of a number of other companies.

The following were appointed Directors of the Company post 31 December 2004.

Joseph McFadden

Joseph McFadden an executive director has been President of Meridian Alliance Group LLC since 1997. Meridian is an environmental consulting and engineering company based out of Houston, Texas. Prior to Meridian, he was Executive Vice President of Omega Environmental responsible for Sales and Marketing from 1994 to 1997. From 1990 to 1994, he was one of the founders of Environmental Solutions and Services out of Orlando, Florida, who sold their business to Omega Environmental. Mr. McFadden is a graduate of The University of Alabama with a degree in Marketing and Advertising. He presently serves on the Board of Directors of seven privately-held companies. IQ-LUDORUM PLC will benefit from his education, knowledge and diverse experience in accounting and finance matters.

Philip Rhee

Phillip Rhee a non executive director is currently the founder and President of KorMex Foods, Inc., which owns and operates 16 Taco Bell franchise restaurants in the Houston area. He has worked on strategic development and execution for companies that include: Taco Bell Corporation; Mobil Oil Corporation; and All American Golf Sales, Inc. He's been recognized for his ability to grow sales and profits by maximizing Marketing, People and Training resources. He is known as a fair, consistent leader who strives for excellence. IQ-LUDORUM PLC will benefit from his knowledge and experience in sales and marketing matters.

Samuel Drennen

Samuel Drennen a non executive director areas of expertise include over 5 years of experience in investor relations as International Strategic Consultant, customer relationship management, competitive analysis for the introduction of new banking services, performance management systems, strategic planning and business development, plus international trade and finance expertise with a focus on European and Latin American political-economics, free trade agreements and US foreign economic policy.

IQ-LUDORUM PLC will benefit from his education, knowledge in strategic and business development matters.

IQ-LUDORUM PLC

Report of the Directors for the year ended 31 December 2004 (Continued)

Directors' interests

The Directors of the Company during the year and their beneficial interests (unless otherwise stated) in the ordinary share capital of the Company were as follows:

	2004 Shares	2003 Shares
G. Singh (removed 10/2/05)	20,579,680	20,579,680
R. Stone (resigned 8/8/04)	700,000	700,000
N. Wills (resigned 4/1/05)	500,000	500,000
P. Tomassi	-	-
J. Reynolds (appointed 8/8/04)	*	-
J. Mcfadden (appointed 10/2/05)	-	-
S. Drennan (appointed 10/2/05)	-	-
P. Rhee (appointed 10/2/05)	-	-

Details of share options held by Directors are set out in note 6.

In addition to the above, G Singh is also interested in the ordinary shares owned by The Norbellis Foundation Limited and ISI Executive Holdings Limited, further details of which are noted under Substantial Shareholdings on Page 7.

* John Reynolds, through REVOLUTIONS, a Turks and Caicos Islands registered company controlled by him, holds the beneficial interest in 47,410,828 shares currently registered in the name of G. Singh and others. REVOLUTIONS entered into an agreement on 25 June 2004 for the acquisition of those shares in consideration for shares in REVOLUTIONS. Record transfer of the shares has not yet been completed, and the current ownership of the shares in question is the subject of ongoing negotiations.

No director has any interest in the shares of any of the subsidiary companies.

There have been no changes in the above shareholdings between 31 December 2004 and 7 June 2005.

Report of the Directors for the year ended 31 December 2004 (Continued)

Corporate Governance

Statement of Compliance with the Code of Best Practice

The Company is listed on the Alternative Investment Market and is therefore not required to comply with the provisions of the Combined Code. However, the Board is committed to ensuring that proper standards of corporate governance operate and has established governance procedures and policies that are considered appropriate to the nature and size of the Group. The Board considers that at this stage in the Company's development, the expense of full compliance with the Combined Code is not appropriate, although it intends, as the Company grows, to ensure that it observes the provisions of the Combined Code, so far as is practicable.

The Directors are responsible for the Group's system of internal financial control, safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities. In carrying out their responsibilities the Directors have put in place a framework of controls to ensure ongoing financial performance is monitored in a timely and corrective manner and risk is identified as early as practicably possible. Clear lines of authority, responsibility and financial accounting exist between the relevant heads of department and the Directors. The Directors have reviewed the effectiveness of the system of internal financial control. Such a system can only provide reasonable and not absolute assurance against material misstatement or loss.

Directors

During the year the Board consisted of a maximum of three Non-Executive Directors and two Executive Directors. Details of these Board members are given on pages 4 and 5 of this report. The Board meets at least four times each year and more frequently as and when required. As a consequence of the small size of the Company, all material matters are dealt with by the Board.

Audit Committee

The Audit Committee is currently comprised of one Non-Executive Director, P Tomassi and one Executive Director, J McFadden. The Committee is chaired by P Tomassi and provides a link between the Board and the Company's auditors on matters falling within the scope of the Company's audit. These matters include accounting standards and policies, internal financial control procedures and the Company's financial statements and reports, which are intended for publication.

Remuneration Committee

The Remuneration Committee is currently comprised of one Non-Executive Director, P Tomassi and one Executive Director, J Reynolds. The committee is chaired by P Tomassi. The remuneration and terms and conditions of service of the Executive Directors and compensation policies of the Group are determined by the board, based on recommendations made by the remuneration committee. The board's policy is to pay competitive salaries having regard to the director's experience, the size and complexity of the job and any special factors, which may arise from time to time. From the outset, the Directors consider that the Group has taken due account of the principles of the Combined Code.

Going Concern

After making enquiries, the Directors have formed a judgement at the time of approving the accounts that there is a reasonable expectation that the Group has adequate resources to continue its operations for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Report of the Directors for the year ended 31 December 2004 (continued)

Dialogue with Shareholders

The Company reports formally to shareholders twice a year, when its half-year and full-year results are announced and an Interim Report and Annual Report are sent to shareholders. The Annual Report includes notice of the Annual General Meeting of the Company at which a presentation is given and Directors are available to take questions both formally during the meeting and informally after the meeting. The management is available for dialogue with major shareholders on the Company's plans and objectives and from time to time meets with them.

Substantial Shareholdings

Other than the Directors' interests, the Directors have been advised of the following shareholdings of 3 percent or more of the Company's issued share capital at 7 June 2005.

Shareholders with over 3% of IQL's equity

		Shares held	% of equity
The Norbellis Foundation Ltd	*	9,058,934	11.3%
Kempson Holdings Ltd	*	5,715,360	7.1%
Repasi Computing Inc	*	5,013,653	6.3%
ISI Executive Holdings Ltd	*	3,929,347	4.9%
P H Nominees Limited		3,870,085	4.8%
Bny (ocs) Nominees Limited		3,833,333	4.8%
1359129 Ontario Inc	*	2,791,013	3.5%
Paseo Holdings Ltd		2,528,400	3.2%
Sinjul Nominees Ltd		2,400,000	3.0%

ISI Executive Holdings Limited is a Company incorporated in the Turks and Caicos Islands established by G Singh for the purpose of providing a pool of shares to reward and provide incentives for employees and consultants of the Group.

The Norbellis Foundation Limited a Company limited by guarantee and incorporated in the Turks and Caicos Islands was established by G Singh for the purpose of creating a fund to promote literacy in the Third World and developing countries. G Singh and W Holt are members of the seven member board of Governors. As the founding member G Singh would in certain circumstances be entitled to any surplus on a winding up.

* John Reynolds, through REVOLUTIONS, a Turks and Caicos Islands registered company controlled by him, holds the beneficial interest in 47,410,828 shares currently registered in the name of G. Singh and others. REVOLUTIONS entered into an agreement on 25th June 2004 for the acquisition of those shares in consideration for shares in REVOLUTIONS. Record transfer of the shares has not yet been completed and the current ownership of the shares in question is the subject of ongoing negotiations.

Charitable and political contributions

There were no charitable or political contributions made during the year. (2003 nil).

Policy on the payment of creditors

It is the policy of the Group, where amounts are not in dispute, to pay its creditors in accordance with the payment terms specified on their invoices.

As at 31 December 2004, the Group had an average of 41 (2003- 11) days purchases outstanding in trade creditors. The Company had an average of 143 (2003 – 5) days' purchases outstanding in trade creditors.

Post balance sheet events

Details of post balance sheet events can be found at note 25.

Directors' responsibilities

Company law requires the Directors to prepare accounts for each financial year that give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for the financial year. In doing so the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the directors' report and other information contained in the annual report was prepared in accordance with Company law in the United Kingdom.

Auditors

A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

On behalf of the board

John Reynolds

Director

27 June 2005

Report of the independent auditors

Independent auditors' report to the shareholders of IQ-Ludorum plc

We have audited the financial statements of IQ - LUDORUM PLC for the year ended 31 December 2004 on pages 12 to 31 which have been prepared under the accounting policies set out on pages 16 and 17.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the Group is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This information comprises only the Directors' Report and the Chief Executive's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Going concern

In forming our opinion we have considered the adequacy of the disclosures made in note 21 of the financial statements relating to the future of the Group. The financial statements have been prepared on a going concern basis, which is dependent on the availability of adequate financial resources to support the Group's operations. In view of the significance of this uncertainty we consider that it should be drawn to your attention. Our opinion is not qualified in this respect.

Report of the independent auditors (Continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 2004 and of the loss of the group for the year ended and have been properly prepared in accordance with the Companies Act 1985.

BDO STOY HAYWARD LLP
Chartered Accountants
and Registered Auditors
London

27 June 2005

IQ-LUDORUM PLC

Consolidated profit and loss account for the year ended 31 December 2004

	Notes	Year ended 31 December 2004 $'000		Year ended 31 December 2003 $'000	
Turnover	**2**	3,071		4,086	
Operating expenses					
Software development and support expenditure		1,444		2,077	
Marketing expenses		488		686	
Other operating expenses		1,752		1,929	
Exceptional items	**4**	69		84	
Depreciation and amortisation		234		620	
		3,987		5,396	
Operating loss	**3**	(916)		(1,310)	
Loss on disposal of fixed assets	**4**	-		(464)	
Interest payable	**7**	(16)		(9)	
Loss on ordinary activities before taxation		(932)		(1,783)	
Taxation	**8**	-		-	
Loss on ordinary activities after taxation		(932)		(1,783)	
Loss per share					
Basic	**9**	(1.17)	cents	(2.23)	cents
Adjusted	**9**	(1.17)	cents	(2.05)	cents

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 16 to 31 form part of these financial statements.

IQ-LUDORUM PLC
Consolidated balance sheet at 31 December 2004

	Notes	2004 $'000	2003 $'000
Fixed assets			
Tangible assets	**11**	182	369
		182	369
Current assets			
Debtors	**13**	577	649
Cash at bank and in hand		42	232
		619	881
Creditors: amounts falling due within one year	**14**	(1,371)	(1,402)
Net current liabilities		(752)	(521)
Total assets less current liabilities		(570)	(152)
Creditors: amounts falling due after one year			
Convertible debt	**14**	514	-
Total assets less liabilities		(1,084)	(152)
Capital and reserves			
Called up share capital	**16**	6,059	6,059
Warrants	**16**	152	152
Share premium account	**17**	18,886	18,886
Merger reserve	**17**	(4,500)	(4,500)
Profit and loss account	**17**	(21,681)	(20,749)
Shareholders' deficit - equity		(1,084)	(152)

The financial statements were approved by the Board on 27 June 2005.

J Reynolds
Director

The notes on pages 16 to 31 form part of these financial statements.

IQ-LUDORUM PLC
Company balance sheet at 31 December 2004

	Notes	2004 $'000	2003 $'000
Fixed assets			
Investments	**12**	4,317	4,500
Current assets			
Debtors	**13**	59	49
Cash at bank and in hand		1	25
		60	74
Creditors: amounts falling due within one year	**14**	(752)	(276)
Net current liabilities		(692)	(202)
Total assets less current liabilities		3,625	4,298
Capital and reserves			
Called up share capital	**16**	6,059	6,059
Warrants	**16**	152	152
Share premium account	**17**	18,886	18,886
Profit and loss account	**17**	(21,472)	(20,799)
Shareholders' funds - equity		3,625	4,298

The financial statements were approved by the Board on 27 June 2005.

J Reynolds
Director

The notes on pages 16 to 31 form part of these financial statements.

IQ-LUDORUM PLC
Consolidated cash flow statement for the year ended 31 December 2004

	Note	Year ended 31 December 2004 $'000	Year ended 31 December 2003 $'000
Net cash outflow from operating activities	**22**	(647)	(574)
Returns on investment and servicing of finance			
Interest paid		(5)	(9)
Net cash outflow from returns on investment and servicing of finance		(5)	(9)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	**11**	(52)	(17)
Sales proceeds from sale of tangible fixed assets		-	6
Net cash outflow from capital expenditure and financial investment		(52)	(11)
Cash outflow before use of liquid resources and financing		(704)	(594)
Management of liquid resources			
Decrease in short term deposits		-	22
Financing			
Increase in debt		514	-
Cash inflow from management of liquid resources		514	22
Decrease in cash in the financial year	**24**	(190)	(572)

The notes on pages 16 to 31 form part of these financial statements.

IQ-LUDORUM PLC
Notes forming part of the financial statements for the year ended 31 December 2004

1 Accounting policies

The principal operating currency of the Group is US Dollars. Accordingly, the financial statements have been prepared in US Dollars under the historical cost convention and are in accordance with applicable accounting standards.

The principal accounting policies are:

Basis of consolidation

The consolidated financial statements incorporate the results of IQ-LUDORUM PLC and all of its subsidiary undertakings using the acquisition or merger method of accounting as required. Where the acquisition method is used, the results of the subsidiary undertakings are included from the date of acquisition.

Merger accounting

Where merger accounting is used, the investment is recorded in the Company's balance sheet at the nominal value of the shares issued together with the fair value of any additional consideration paid.

In the Group financial statements, merged subsidiary undertakings are treated as if they had always been a member of the Group. Any difference between the nominal value of the shares acquired by the Company and those issued by the Company to acquire them is taken to reserves.

Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the net assets acquired. It is capitalised and amortised through the profit and loss account over the Directors' estimate of its useful economic life, which is 3 years. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition; and
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales. Revenues earned in respect of annual licence fees are spread evenly over the period to which the licence relates. The deferred element of these revenues is included within accruals and deferred income.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets over their expected useful economic lives. It is calculated at the following rates:

Leasehold improvements	- 20% per annum straight line basis
Computer equipment	- 33% per annum straight line basis
Office equipment, furniture and fixtures	- 20% per annum straight line basis

Impairment of fixed assets and goodwill

The need for any fixed asset impairment write down is assessed by comparison of the carrying value of the asset against the higher of its realisable value and value in use.

Foreign currency

Foreign currency transactions of individual companies with third parties are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

Financial instruments

In relation to the disclosure in the accounts made in note 15:

- Short-term debtors and creditors are not treated as financial assets or financial liabilities;
- The Group does not hold or issue derivative financial instruments for trading purposes.

Development costs

Software development costs are charged to the profit and loss account in the year of expenditure.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account. All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except for deferred tax assets, which are not recognised to the extent that the transfer of economic benefit in future is uncertain. Deferred tax liabilities and assets are not discounted.

No provision is made to cover any further liability to taxation that would arise in respect to the distribution of profits retained by overseas subsidiary undertakings.

Liquid resources

For the purposes of the cash flow statement, liquid resources are defined as current asset investments and short-term deposits.

Valuation of Investments

Investments held as fixed assets are stated at cost less any provision for impairment. Investments held as current assets are stated at the lower of cost and net realisable value.

2 Turnover, loss and net assets

Analysis by class of business	Year ended 31 December 2004 Turnover $'000	Loss before tax $'000	Net assets / liabilities $'000
Development and support of gaming software	3,071	(932)	(1,084)
By origin:			
North and Central America and the Caribbean	2,998	(289)	(715)
Europe	73	(643)	(369)
	3,071	(932)	(1,084)

	Year ended 31 December 2003 Turnover $'000	Loss before tax $'000	Net assets $'000
Development and support of gaming software	4,086	(1,783)	(152)
By origin:			
North and Central America and the Caribbean	3,701	(890)	64
Asia	-	(181)	-
Europe	385	(712)	(216)
	4,086	(1,783)	(152)

IQ-LUDORUM PLC
Notes forming part of the financial statements for the year ended 31 December 2004

3 Operating loss

This is arrived at after charging / (crediting):		Year ended 31 December 2004 $'000	Year ended 31 December 2003 $'000
Depreciation		234	442
Amortisation of goodwill		-	141
Operating lease rentals	- land and buildings	306	357
	- other	-	5
Auditors remuneration	- audit services (company: 2004 $20k, 2003 $20k)	117	108
	- non audit services	18	18
Exchange differences		(7)	88
Loss on disposal of fixed assets		5	-
Exceptional items (see note 4)		69	84
Total administration expenses		3,987	5,396

4 Exceptional items

The exceptional costs during the year relate to restructuring in Costa Rica and Canada. The fixed asset disposals in 2003 related to leasehold improvements written off when the decision was taken to downsize to a smaller office location.

Operating exceptional items:	2004 $'000	2003 $'000
Severance costs	69	84
Non operating exceptional items:		
Fixed asset disposal	-	464
Total exceptional items	69	548

5 Employees

The average number of employees of the group during the year including executive directors, was as follows:

	Year ended 31 December 2004 Number	Year ended 31 December 2003 Number
Software development and support	24	34
Sales and marketing	5	10
Administrative	11	14
	40	58

Staff costs for all employees, including Directors, consist of:	$'000	$'000
Wages and salaries	1,654	2,973
Social security costs	148	265
	1,802	3,238

6 Directors

The emoluments paid to the Directors were as follows:

	Basic salary $'000	Benefits in kind $'000	Directors fees $'000	Other fees $'000	Year ended 31 December 2004 Total emoluments $'000	Year ended 31 December 2003 Total emoluments $'000
J. Reynolds	-	-	-	-	-	-
R. Stone	58	-	-	-	58	309
G. Singh	144	-	-	-	144	120
N. Wills	-	-	32	-	32	18
P. Tomassi	-	-	32	-	32	18
	202	-	65	-	267	465

John Reynolds agreed to forego any salary until such time as the Company was in a positive cash flow position. Under the conditions of the agreement in principle signed with SymCapital Limited, John Reynolds would be entitled to an annual salary of $185,000 upon completion.

As part of an agreement with Roger Stone $124k of accrued salary was waived on his departure.

The share options of the Directors under the employee option scheme are set out below:

	At 1 January 2004	Granted	At 31 December 2004	Exercise price	Expiry date
G. Singh	88,500	-	88,500	75p	14 July 2010
G. Singh	240,000	-	240,000	5p	25 November 2012
R. Stone	600,000	-	600,000	14p	20 September 2011
R. Stone	240,000	-	240,000	5p	25 November 2012
R. Stone	500,000	-	500,000	5p	26 March 2013
N. Wills	13,333	-	13,333	75p	14 July 2010
N. Wills	100,000	-	100,000	5p	25 November 2012
P. Tomassi	13,333	-	13,333	17p	24 April 2011
P. Tomassi	100,000	-	100,000	5p	25 November 2012
	1,895,166	-	1,895,166		

No share options were exercised by the directors during the year. All options were granted at market price.
The market price of the shares at 31 December 2004 was 2.4p and the range during the year was 1p to 2.7p.

Some options are exercisable one third after the first anniversary of the grant and one third on each subsequent anniversary of the grant. Others are exercisable one third immediately and one third each subsequent anniversary of the date the individual joined the Company.

7 Interest

	Year ended 31 December 2004 $'000	Year ended 31 December 2003 $'000
Interest Payable		
Interest Payable	16	9

8 Taxation

	$'000	$'000
UK corporation tax	-	-
Overseas tax payable	-	-
	-	-

Accumulated UK tax losses carried forward are estimated at $3,538,000 (2003 $3,193,000).

Taxation reconciliation

The tax assessed for the year differs from that obtained by using the standard rate of corporate tax in the UK. The differences are explained below:

Loss before taxation	(932)	(1,783)
Tax at 30%	(280)	(535)
Unutilised UK losses	183	284
Unutilised overseas losses	97	250
Losses not taxable	-	1
Tax charge for the year	-	-

8 Taxation (continued)

The elements of deferred taxation are as follows:

	2004 $'000	2003 $'000
Unutilised UK losses	1,061	958
Unrecognised deferred tax asset / (liability)	3	3
	1,064	961

Deferred tax assets have not been recognised on the basis that their future economic benefit is uncertain.

9 Loss per share

Loss per share has been calculated using the weighted average number of shares in issue during the relevant financial period. The weighted average number of shares in issue was 79,959,036 (2003 - 79,959,036) and the loss was $932,000 (2003 - $1,783,000).

Loss per share	**Year ended 31 December 2004 $'000**		**Year ended 31 December 2003 $'000**	
Basic loss per share	(1.17)	cents	(2.23)	cents
Adjusted loss per share	**$'000**		**$'000**	
Loss after taxation	(932)		(1,783)	
Amortisation of goodwill	-		141	
Adjusted loss	(932)		(1,642)	
Adjusted loss per share	(1.17)	cents	(2.05)	cents

The adjusted earning per share is based on “headline” earnings as recommended by the Statement of Investment Practice No.1. This is earnings excluding:

- Amortisation of goodwill.

The Directors believe that this gives a better view of the on-going maintainable earnings.

No calculation has been shown for diluted losses per share as there are no potentially dilutive ordinary shares.

10 Loss for the financial period

The Company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The Group loss for the year includes a loss after tax of $673,000 (2003 - $78,000), which is dealt with in the financial statements of the parent Company.

11 Tangible assets

Group	Leasehold improvements $'000	Computer equipment $'000	Office equipment furniture and fixtures $'000	Total $'000
Cost				
At 1 January 2004	124	1,077	249	1,450
Additions	3	36	13	52
Disposals	-	(2)	(15)	(17)
At 31 December 2004	127	1,111	247	1,485
Depreciation				
At 1 January 2004	49	888	144	1,081
Provision for the year	8	177	49	234
Disposals		(1)	(11)	(12)
At 31 December 2004	57	1,064	182	1,303
Net book value				
At 31 December 2004	70	47	65	182
At 31 December 2003	75	189	105	369

IQ-LUDORUM PLC
Notes forming part of the financial statements for the year ended 31 December 2004

12 Fixed asset investments

	Shares in group undertakings $'000
Company	
Cost / valuation at 1 January 2004	4,500
Impairment charge for the year	183
Cost / valuation at 31 December 2004	4,317

Details of investments are set out below:

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
IQ-LUDORUM Software (Canada) Limited	Canada	100%	Software development
Crystal Technical Support SA	Costa Rica	100%	Dormant
Tempus Fugit SA	Costa Rica	100%	Software support
Intellectual Services International SA	Costa Rica	100%	Dormant
Missionary From The Druids SA	Costa Rica	100%	Dormant
Intellectual Services International Limited	Turks and Caicos	100%	Software development and licencing
IQ Denmark ApS	Denmark	100%	Holding company
IQ-LUDORUM Software (UK) Limited	England & Wales	100%	Administration

For all companies listed above, the country of operation is the same as its country of incorporation or registration. Of the above companies, IQ Denmark ApS, Intellectual Services International Limited and IQ-LUDORUM Software (UK) Limited are owned directly by the Company.

13 Debtors

Amounts receivable within one year

	Group 2004 $'000	Company 2004 $'000	Group 2003 $'000	Company 2003 $'000
Trade debtors	458	-	531	-
Other debtors	68	26	57	5
Prepayments and accrued income	51	33	61	44
	577	59	649	49

14 Creditors: amounts falling due within one year

	Group 2004 $'000	Company 2004 $'000	Group 2003 $'000	Company 2003 $'000
Amounts due to subsidiary undertakings	-	355	-	39
Trade creditors	390	146	148	17
Other creditors	72	-	123	-
Tax and social security	14	-	99	-
Accruals and deferred income	895	251	1,032	220
	1,371	752	1,402	276

Amounts payable after one year

Loan - convertible debt	514	-	-	-

The loan is from REVOLUTIONS, a Turks and Caicos Islands registered company of which John Reynolds is CEO and shareholder. Interest is payable on the loan at an annual rate of 6% which is payable on the last day of March, June, September and December of each year commencing in March 2005. If interest is not paid within 15 days of the due date the entire loan and accrued interest is at once due and payable. The entire loan note and all accrued but unpaid interest is due payable on demand on or after 31 December 2009. The loan is convertible at the option of the lender into shares in the Company at a price equal to 5p per share at any time after one year from the date of the initial agreement.
Included within other creditors is $12,000 (2003 Nil) for accrued interest on the above loan.

15 Financial instruments

Group borrowings are at a fixed rate of 6% and are in US Dollars and hence are not exposed to either interest rate or currency fluctuations thereon. The treasury policy of the group is to place surplus funds on overnight interest bearing deposits. Where appropriate amounts are placed on longer fixed term deposits to maximise interest return.

(a) Interest rate and currency of cash balances

The Group has no floating rate or fixed rate financial assets. (2003 - $Nil). At the year-end $42,000, was held in a non-interest bearing bank account. (2003- $232,000).

(b) Currency exposure

The table below shows the extent to which the Group companies have monetary assets and liabilities in currencies other than their local currency. Foreign exchange differences on the retranslation of these assets and liabilities are taken to the profit and loss account of the group companies and the Group.

Net foreign currency monetary assets / liabilities

As at 31 December 2004	Assets US Dollar $'000	Liabilities US Dollar $'000	2004 Net US Dollar $'000
North America and the Caribbean	3	42	(39)
Europe	1	146	(145)
	4	188	(184)

As at 31 December 2003	Assets US Dollar $'000	Liabilities US Dollar $'000	2003 Net US Dollar $'000
North America and the Caribbean	53	22	31
Europe	26	26	-
	79	48	31

These exposures comprise the monetary assets and liabilities of the Group that are not denominated in the operating or “functional” currency of the operating unit involved. All monetary assets and liabilities not recorded in the operating currency of each of the Group’s subsidiary companies are held in US Dollars. As the Group reports in US Dollars, there is no currency exposure here.

(c) **Fair values of financial instruments**

The fair value of all the Group’s assets and liabilities are approximately equal to the carrying value of these items in the balance sheet. The fair value of short-term assets and liabilities approximates to the carrying amount because of the short nature of these instruments.

(d) **Undrawn bank facilities**

The Group has no undrawn bank borrowing facilities. (2003 – $Nil)

16 Share capital

	Number	£'000
Authorised		
Ordinary shares of 5p each	200,000,000	10,000
	Number	**$'000**
Allotted,called up and fully paid		
Ordinary shares of 5p each	79,959,036	6,059

	Ordinary shares of 5p each	
	Number	**$'000**
In issue at 31 December 2004	79,959,036	6,059
In issue at 31 December 2003	79,959,036	6,059

Share options

At 31 December 2004 the share options outstanding under the Company's unapproved share option plan (6,889,418 options) and under authority of the shareholders' resolution approving the issuance without statutory pre-emption rights (30,000 options) are set out below. These options include those issued to the Directors and shown in note 6.

Date of Grant	Number of Shares	Date from which options are first exercisable	Lapse date	Price per share
14 July 2000	677,333	14 July 2000	14 July 2010	75p
8 October 2001	900,000	8 October 2001	8 October 2011	22p
6 March 2002	1,478,752	6 March 2002	6 March 2012	5p
24 April 2002	13,333	24 April 2002	24 April 2011	17p
22 October 2002	330,000	22 October 2002	22 October 2012	5p
25 November 2002	880,000	25 November 2002	25 November 2012	5p
6 March 2003	1,840,000	6 March 2003	6 March 2013	5p
26 March 2003	500,000	26 March 2003	26 March 2013	5p
19 December 2003	300,000	19 December 2003	19 December 2013	5p
	6,919,418			

Warrants

On 8 August 2000, warrants for 466,668 ordinary shares were issued generating net proceeds of $152,000 (Stg 100,000).

17 Reserves

	Share premium $'000	Merger reserve $'000	Profit and loss account $'000
Group			
At 1 January 2004	18,886	(4,500)	(20,749)
Loss for the year	-	-	(932)
At 31 December 2004	18,886	(4,500)	(21,681)
Company			
At 1 January 2004	18,886	-	(20,799)
Loss for the year	-	-	(673)
At 31 December 2004	18,886	-	(21,472)

18 Reconciliation of movements in shareholders' fund

	2004 $'000	2003 $'000
Group		
Opening shareholders' (deficit) / funds	(152)	1,631
Loss for the year	(932)	(1,783)
Closing shareholders' deficit	(1,084)	(152)

Company

	2004 $'000	2003 $'000
Opening shareholders' funds	4,298	4,376
Loss for the year	(673)	(78)
Closing shareholders' funds	3,625	4,298

19 Commitments under operating leases

The Group had annual commitments under non-cancellable operating leases as set out below:

	2004 Land and buildings $'000	2004 Other $'000	2003 Land and buildings $'000	2003 Other $'000
Operating leases which expire:				
In less than 1 year	118	4	48	9
Between 2 and 5 years	98	-	198	-
Over 5 years	-	-	-	-
	216	4	246	9

20 Related party transactions

During the year Tempus Fugit SA a subsidiary of the Company entered into an agreement with REVOLUTIONS to make payments on its behalf, as REVOLUTIONS required six months of trading results prior to being eligible to open a bank account in its name in Costa Rica. Payments of $384,627 (2003 Nil) were made on behalf of REVOLUTIONS during the year. REVOLUTIONS is a Turks and Caicos Islands registered company of which John Reynolds is CEO and shareholder. These services were provided on an arms length basis on normal trading terms.

During the year ended 31 December 2004 Affine Research and Development Limited, a company owned by Gurcharan Singh, billed the Company $17,500 (2003- $21,876) for software development services of two developers. These services were provided on normal arms length terms and were discontinued at the end of 2004.

Included within other creditors is the amount of $60,000 due to Roger Stone the former chief executive (2003 - $100,000). This is the remaining balance on the $100,000 loan he made to the company in 2003. The agreement with the Company stated that this amount would be paid by 10 monthly instalments starting 15 August 2004. The Company made payment of $40,000 against this balance including an additional $16,000 for interest accrued on this amount. The Company has not made a payment since November and is currently negotiating in good faith new payment terms that are more in line with the Company's ability to pay.

Included within accruals is the amount of $286,075 for director fees for the years 2003 and 2004 that have been accrued but not paid by the Company. The amount is analysed as follows:

	2004 $	2003 $
Roger Stone	125,000	211,421
Gurchuran Singh	58,263	44,200
Nicholas Wills	51,406	17,900
Pietro Tomassi	51,406	17,900
Total	**286,075**	**291,421**

Nicholas Wills and Pietro Tomassi have agreed to forego these amounts until such time as the Company is in a positive cash flow position.

21 Going concern

The Group financial statements have been prepared on a going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future.

The Group incurred a loss of $932,000 for the year and has incurred further losses since the balance sheet date.

As explained in note 25, the directors have secured a further loan of $500,000 with a possibility of further loans up to a total of $1.1m for working capital purposes, subject to completion of the detailed requirements. Accordingly they consider the going concern basis of preparation to be appropriate.

The financial statements do not include any adjustments that would result if the going concern basis became no longer appropriate.

22 Reconciliation of operating loss to net cash outflow from operating activities

	Year ended 31 December 2004 $'000	Year ended 31 December 2003 $'000
Operating loss	(916)	(1,310)
Amortisation of goodwill	-	141
Depreciation	234	442
Decrease in debtors	72	356
Decrease in creditors	(42)	(203)
Loss on disposal of fixed asset	5	-
Net cash outflow from operating activities	(647)	(574)

23 Reconciliation of net cashflow to movement in net (debt) / funds

	Year ended 31 December 2004 $'000	Year ended 31 December 2003 $'000
Decrease in cash in the year	(190)	(572)
Cash outflow from decrease in liquid resources		(22)
Cash inflow from increase in debt	(514)	-
Change in net funds resulting from cash flows	(704)	(594)
Movement in net funds in the period	(704)	(594)
Net funds at start of year	232	826
Net funds at end of year	(472)	232

24 Analysis of net funds

	31 December 2003 $'000	Cash Flow $'000	31 December 2004 $'000
Cash at bank and in hand	232	(190)	42
Debt due after one year	-	(514)	(514)
Total	232	(704)	(472)

25 Post balance sheet events

IQ-LUDORUM PLC (IQ-L) has agreed terms with SymCapital Ltd. (SymCapital) for working capital financing of up to US$1,600,000, of which US$500,000 is immediately available for drawdown by IQ-L. IQ-L has also agreed terms with SymCapital for a licence of SymCapital's payment processing software to a wholly-owned subsidiary of IQ-L.

The initial working capital financing facility from SymCapital is to be made in consideration for the issue to SymCapital of 6% two-year loan notes, secured over IQ-L's assets and the assets of its principal operating subsidiary. Upon completion SymCapital has agreed to make the additional US$1,100,000 available to IQ-L on similar terms. The SymCapital licence will bear a standard per customer transaction fee.

Notice of Annual General Meeting of IQ-LUDORUM PLC

Notice is hereby given that the Annual General Meeting of the Company will be held at 11:00 am on 18 October 2005 at the offices of KBC Peel Hunt Ltd, 111 Old Broad Street, London EC2N 1PH. Copies of the agenda will be forwarded to shareholders in due course.